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REVENUE REVIEW

Quarterly
Revenue Report
for the
State of Michigan

AUGUST 2005

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>3rd Qtr FY 2003-04</u>	<u>3rd Qtr FY 2004-05</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$4,400.2 million	\$4,908.8 million	11.6%	5.9%

Revenue collections for the third quarter (May–July) of fiscal year (FY) 2004-05 were higher than third quarter FY 2003-04 collections by \$508.6 million or 11.6%. Adjusted revenue was up \$322.7 million or 7.3%. The adjusted revenue does not include income tax refunds, casino wagering, tobacco taxes, and the state education tax.

INCOME TAX (NET)

<u>3rd Qtr FY 2003-04</u>	<u>3rd Qtr FY 2004-05</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$1,370.1 million	\$1,576.0 million	15.0%	1.6%

Income tax revenue consists of three components— withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 85% of total income tax collections. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections, which include income tax refunds, for third quarter FY 2004-05 were higher than third quarter FY 2003-04 collections by \$205.9 million or 15.0%. Withholding payments were up 1.9%, quarterly payments and annual payments were up 41.6%, and refunds were down 30.6%. Net income tax collections for fiscal year-to-date (FYTD) were \$4.3 billion— up \$67.4 million or 1.6% from the first three quarters of FY 2003-04.

SALES AND USE TAXES

<u>3rd Qtr FY 2003-04</u>	<u>3rd Qtr FY 2004-05</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$1,980.6 million	\$2,066.0 million	4.3%	3.9%

Sales tax collections are derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The use tax is applied to telephone services, leased motor vehicles, hotels and motels, gas and electric utilities, and remote sales.

Sales and use tax collections for third quarter FY 2004-05 were higher than the year-ago quarter by \$85.4 million or 4.3%. Sales tax due to motor vehicle sales decreased 6.6% while all other sales tax collections were up 6.8% in third quarter FY 2004-05 relative to the year-ago third quarter. Sales and use tax collections for FYTD were \$5.9 billion— up \$223.5 million or 3.9% from the first three quarters of FY 2003-04.

SINGLE BUSINESS AND INSURANCE TAXES

<u>3rd Qtr FY 2003-04</u>	<u>3rd Qtr FY 2004-05</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$466.5 million	\$605.8 million	29.9%	7.3%

Single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For third quarter FY 2004-05, single business and Insurance tax collections were above the year-ago third quarter by \$139.3 million or 29.9%. Business tax collections for FYTD totaled \$1.6 billion— up \$109.9 million or 7.3% from the first three quarters of FY 2003-04.

OTHER REVENUE

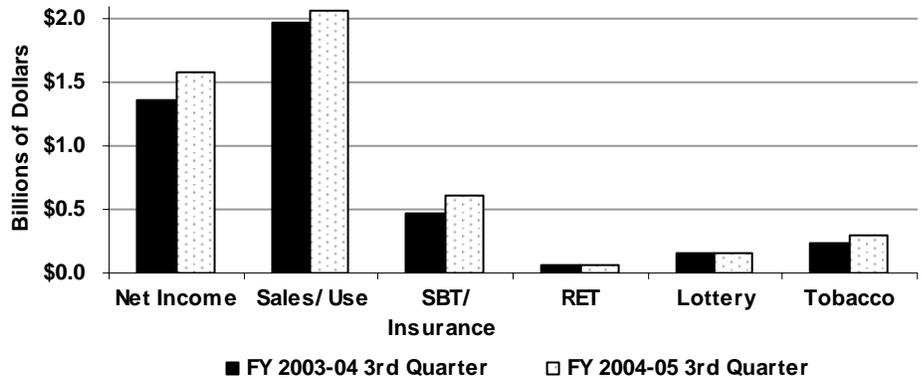
<u>3rd Qtr FY 2003-04</u>	<u>3rd Qtr FY 2004-05</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$583.0 million	\$661.0 million	13.4%	21.1%

Other revenue—which includes primarily the state education tax (SET), the real estate transfer (RET) tax, the tobacco tax, and revenue from the lottery—for third quarter FY 2004-05 was up \$78.0 million or 13.4% from the third quarter of FY 2003-04. Much of this increase was due to state education tax timing changes and increases in tobacco and casino wagering taxes.

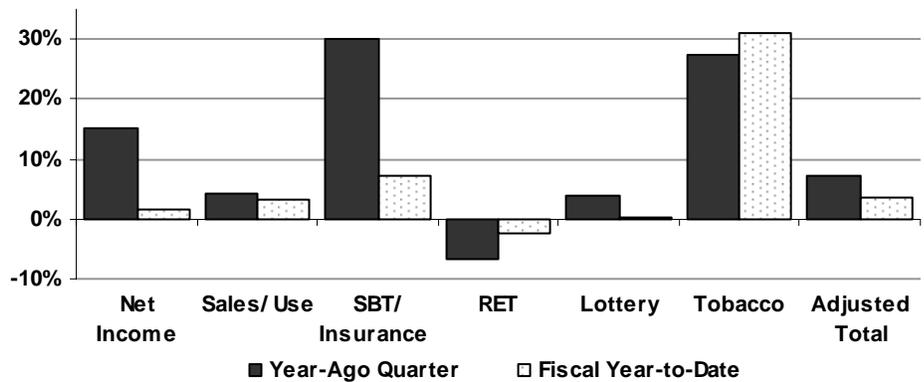
Adjusted total revenue (which does not include income tax refunds, casino wagering, tobacco tax, and the state education tax) increased 3.7% in the first three quarters of FY 2004-05.

Fiscal year-to-date, GF/GP revenue is up \$45 million and SAF revenue is down \$20 million from target estimates.

**State of Michigan Revenue
3rd Quarter Comparison**



**State of Michigan Revenue
% Change From Year-Ago Quarter and Fiscal Year-to-Date**



Revenue Quarterly Review: 3rd Quarter (May-July) FY 2004-05 (Millions of Dollars)

	FY 2004-05		Change From Previous Fiscal			FY 2004-05 May Consensus Forecast Growth
	3rd Quarter	Change From Year-Ago 3rd Quarter	Year-to-Date	Dollar	Percent	
Annual Income Tax	\$ 103.0	125.9%	\$ 594.6	\$ 142.7	31.6%	25.4%
Quarterly Income Tax	150.1	12.8%	474.7	25.0	5.6%	2.9%
Withholding	1,553.6	1.9%	4,836.2	22.7	0.5%	0.3%
Subtotal	1,806.7	6.1%	5,905.5	190.4	3.3%	2.2%
Income Tax Refunds	230.7	-30.6%	1,562.2	123.0	8.5%	4.2%
Net Income Tax	1,576.0	15.0%	4,343.3	67.4	1.6%	1.7%
Sales Tax	1,712.6	4.8%	4,902.0	165.2	3.5%	2.5%
Use Tax	353.4	1.9%	1,029.2	58.3	6.0%	5.2%
Subtotal	2,066.0	4.3%	5,931.2	223.5	3.9%	3.0%
Single Business Tax	549.8	27.8%	1,438.5	105.2	7.9%	1.0%
Insurance Tax	56.0	54.3%	178.9	4.7	2.7%	-0.4%
Subtotal	605.8	29.9%	1,617.4	109.9	7.3%	0.8%
Casino Wagering	37.0	45.1%	121.9	49.6	68.6%	47.7%
Tobacco Tax	296.9	27.4%	855.3	202.6	31.0%	18.7%
Lottery	163.7	3.9%	483.4	0.9	0.2%	-1.1%
Industrial/CommFacility Taxes	11.9	-34.3%	83.3	(11.8)	-12.4%	-5.8%
Real Estate Transfer Tax	82.7	-6.7%	228.1	(5.4)	-2.3%	0.8%
State Education Tax	68.8	14.3%	488.7	157.8	47.7%	1.5%
Subtotal	661.0	13.4%	2,260.7	393.7	21.1%	6.1%
TOTAL	\$ 4,908.8	11.6%	\$ 14,152.6	\$ 794.5	5.9%	3.0%
ADJUSTED TOTAL	\$ 4,736.8	7.3%	\$ 14,248.9	\$ 507.5	3.7%	2.2%

Consensus revenue figures reflect enacted tax changes. Revenue, except Lottery, is on an accrual basis and begins with November collections.